

State of South Carolina



Office of the State Auditor

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THOMAS L. WAGNER, JR., CPA  
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February 20, 2003

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

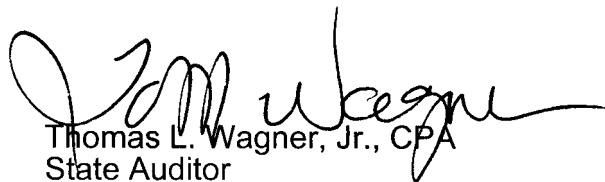
Re: AC# 3-JOL-J0 – GCI Jolley Acres, Inc.  
d/b/a Jolley Acres Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**GCI JOLLEY ACRES, INC.  
D/B/A JOLLEY ACRES HEALTHCARE CENTER  
ORANGEBURG, SOUTH CAROLINA**

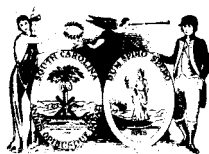
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-JOL-J0**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 7, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

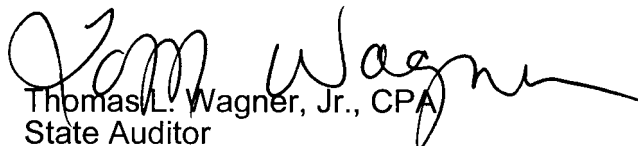
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Jolley Acres, Inc., d/b/a Jolley Acres Healthcare Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
November 7, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**JOLLEY ACRES HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-JOL-J0

10/01/01-  
09/30/02

Interim Reimbursement Rate (1)	\$91.18
Adjusted Reimbursement Rate	<u>89.97</u>
Decrease in Reimbursement Rate	\$ <u><u>1.21</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**JOLLEY ACRES HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2001 Through September 30, 2002  
AC# 3-JOL-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.20	\$60.05	
Dietary		8.66	12.22	
Laundry/Housekeeping/Maintenance		<u>7.37</u>	<u>10.11</u>	
Subtotal	\$ <u>5.77</u>	56.23	82.38	\$56.23
Administration & Medical Records	\$ <u>.43</u>	<u>13.06</u>	<u>13.49</u>	<u>13.06</u>
Subtotal		69.29	<u>\$95.87</u>	69.29
<u>Costs Not Subject to Standards:</u>				
Utilities		1.70		1.70
Special Services		.38		.38
Medical Supplies & Oxygen		4.21		4.21
Taxes and Insurance		1.75		1.75
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$77.33</u>		77.33
Inflation Factor (3.80%)				2.94
Cost of Capital				7.26
Cost of Capital Limitation				(.28)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.43
Cost Incentive				5.77
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.45)
Nurse Aide Staffing Add-On 10/01/00				<u>.97</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$89.97</u>

**JOLLEY ACRES HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-JOL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$852,549	\$ -	\$ 4,988 (3)	\$847,561
Dietary	182,589	-	-	182,589
Laundry	31,433	230 (4)	226 (5)	31,437
Housekeeping	71,498	523 (4)	515 (5)	71,506
Maintenance	52,111	409 (3) 383 (4)	381 (5)	52,522
Administration & Medical Records	279,936	418 (4)	4,677 (3) 351 (5)	275,326
Utilities	35,919	3 (3) 264 (4)	259 (5)	35,927
Special Services	7,968	-	-	7,968
Medical Supplies & Oxygen	88,652	-	-	88,652
Taxes and Insurance	52,424	354 (4)	15,721 (2) 15 (3) 243 (5)	36,799
Legal Fees	-	-	-	-



**JOLLEY ACRES HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-JOL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	146,942	445 (4) 27,315 (6)	9,427 (1) 11,950 (3) 203 (5)	153,122
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	1,802,021	30,344	48,956	1,783,409
Ancillary	56,804	-	-	56,804
Non-Allowable	49,666	9,427 (1) 15,721 (2) 21,218 (3) 2,178 (5)	2,617 (4) 27,315 (6)	68,278
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$1,908,491</u>	<u>\$78,888</u>	<u>\$78,888</u>	<u>\$1,908,491</u>
Total Patient Days	<u>21,082</u>	<u>-</u>	<u>-</u>	<u>21,082</u>
Total Beds	<u>60</u>			

**JOLLEY ACRES HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-JOL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$35,542	
	Other Equity	8,613	
	Nonallowable	9,427	
	Fixed Assets		\$44,155
	Cost of Capital		9,427
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	15,721	
	Taxes and Insurance		15,721
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Maintenance	409	
	Utilities	3	
	Nonallowable	21,218	
	Nursing		4,988
	Administration		4,677
	Taxes and Insurance		15
	Cost of Capital		11,950
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Laundry	230	
	Housekeeping	523	
	Maintenance	383	
	Administration	418	
	Utilities	264	
	Taxes and Insurance	354	
	Cost of Capital	445	
	Nonallowable		2,617
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**JOLLEY ACRES HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-JOL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	2,178	
	Laundry		226
	Housekeeping		515
	Maintenance		381
	Administration		351
	Utilities		259
	Taxes and Insurance		243
	Cost of Capital		203
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Cost of Capital	27,315	
	Nonallowable		27,315
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$123,043</u>	<u>\$123,043</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**JOLLEY ACRES HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-JOL-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>40</u>	<u>20</u>	
Deemed Asset Value	1,489,840	744,920	
Improvements Since 1981	268,334	46,635	
Accumulated Depreciation at 9/30/00	<u>(493,732)</u>	<u>(118,036)</u>	
Deemed Depreciated Value	1,264,442	673,519	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	73,338	39,064	
Return Applicable to Non-Reimbursable Cost Centers	(711)	(11)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	72,627	39,053	
Depreciation Expense	27,557	24,450	
Amortization Expense	225	593	
Capital Related Income Offsets	(7,453)	(3,727)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(197)</u>	<u>(6)</u>	<u>Total</u>
Allowable Cost of Capital Expense	92,759	60,363	\$153,122
Total Patient Days (Minimum 96% Occupancy)	<u>14,055</u>	<u>7,027</u>	<u>21,082</u>
Cost of Capital Per Diem	\$ <u>6.60</u>	\$ <u>8.59</u>	\$ <u>7.26</u>

**JOLLEY ACRES HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-JOL-J0

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.19	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>6.18</u>	\$ <u>8.59</u>
Reimbursable Cost of Capital Per Diem		\$6.98
Cost of Capital Per Diem		<u>7.26</u>
Cost of Capital Per Diem Limitation		\$ <u>(.28)</u>

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